

Message Text

CONFIDENTIAL

PAGE 01 BEIRUT 00718 01 OF 02 171147Z
ACTION NEA-07

INFO OCT-01 SS-14 ISO-00 NSC-05 NSCE-00 PM-03 SP-02 EB-04
INR-05 CIAE-00 DODE-00 TRSE-00 IO-06 DHA-02 /049 W
-----171206Z 077001 /11

R 171105Z FEB 77
FM AMEMBASSY BEIRUT
TO SECSTATE WASHDC 3089
INFO AMEMBASSY DAMASCUS
AMEMBASSY JIDDA
AMEMBASSY KUWAIT

C O N F I D E N T I A L SECTION 1 OF 2 BEIRUT 0718

LIMDIS

E.O. 11652: GDS
TAGS: EAID, LE, US
SUBJECT: CALL ON PRIME MINISTER AL-HOSS

1. SUMMARY. ON FEBRUARY 16. AMBASSADOR AND EMBOFF YELLIN CALLED ON PRIME MINISTER AL-HOSS WHO GAVE EXPOSITION OF GOL PRIORITIES AND RECONSTRUCTION STRATEGY. IN EXPLAINING NEED FOR FUNDS, HE NOTED THAT BANKS IN LEBANON HAD ALREADY EXTENDED LOANS OF LL5 BILLION AND HAD A NET EQUITY OF ONLY LL500 MILLION. THUS IF ONLY TEN PER CENT OF THE DEPTS WERE DEFAULTED, NET EQUITY WOULD BE ZERO, AND MANY SMALL BANKS WOULD FAIL. AMB TOLD HOSS WE WERE AUTHORIZED TO OPEN NEGOTIATIONS FOR A PL-480 TITLE I AGREEMENT, AND HE ASKED THAT WE HOLD THE FIRST SESSION ON FEB 22.
END SUMMARY.

2. ON FEB 16, SECOND SECRETARY YELLIN AND I CALLED ON PRIME MINISTER SELIM AL-HOSS. DURING THE COURSE OF OUR CONVERSATION, HE MADE WHAT I UNDERSTAND IS STANDARD EXPOSITION OF THE GOL'S RECONSTRUCTION
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BEIRUT 00718 01 OF 02 171147Z

STRATEGY AND NEEDS, TO WIT:

A. PRIORITIES.

(1) FIRST PRIORITY WAS THE ESTABLISHMENT OF SECURITY. TO THIS END, THE GOL NEEDED TO REBUILD THE ARMY AND INTERNAL SECURITY FORCES (ISF). IN

PARTICULAR, GOL NEEDED ARMS AND EQUIPMENT FOR THE ISF SO THAT IT COULD ASSUME SOME OF THE FUNCTIONS OF THE ASF. JORDAN AND SAUDI ARABIA HAD AGREED TO PROVIDE SOME ASSISTANCE. LIBYA HAD MADE POSITIVE NOISES BUT HAD SO FAR REFRAINED FROM MAKING ANY COMMITMENTS.

(2) SECOND PRIORITY WAS THE SOLUTION OF SOCIAL PROBLEMS WITH POTENTIALLY SERIOUS POLITICAL CONSEQUENCES. IN PARTICULAR, THE GOL NEEDED TO HOUSE "HUNDREDS OF THOUSANDS" OF PEOPLE DISPLACED DURING THE FIGHTING. MANY OF THESE PEOPLE ILLEGALLY OCCUPIED APARTMENTS IN BEIRUT AND REPRESENTED A "HOT PROBLEM."

(3) THIRD PRIORITY WAS RECONSTRUCTION PROPER. GOL NEEDED TO REPAIR SUBSTANTIAL DAMAGE IN THE PUBLIC AND PRIVATE SECTORS.

B. FOREIGN AID

(1) THE GOL NEEDED EXTERNAL FINANCING BECAUSE, AMONG OTHER REASONS, THE BANKS IN LEBANON WERE UNWILLING AND UNABLE TO EXTEND CREDITS OF THEIR OWN ACCORD. HE SAID HE WOULD NOT WANT IT KNOWN PUBLICLY, BECAUSE THAT WOULD DESTROY PUBLIC CONFIDENCE, BUT THE BANKS HAD ALREADY MADE LOANS AMOUNTING TO LL5 BILLION, WITH NET EQUITY OF ONLY LL500 MILLION. IF TEN PERCENT OF THE LOANS WERE

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BEIRUT 00718 01 OF 02 171147Z

DEFAULTED, NET EQUITY WOULD BE ZERO, AND MANY SMALL BANKS WOULD FAIL.

(2) THE ARAB COUNTRIES HAD OFFERED TO FINANCE PROJECTS IN THE PUBLIC SECTOR, BUT GOL HAD "TRIED TO DIVERT THEM FROM THIS VIEW." THE GOL BELIEVED IT COULD OBTAIN MONEY FOR THE PUBLIC SECTOR "THROUGH NORMAL CHANNELS SUCH AS THE WORLD BANK AND OTHER FRIENDLY COUNTRIES." HOWEVER, LEBANON WOULD NEED LONG-TERM LOANS AT FAVORABLE RATES FROM THE ARAB STATES TO FINANCE RECONSTRUCTION IN THE PRIVATE SECTOR. (AL-HOSS MAY BE OVERLY Sanguine. A WORLD BANK OFFICIAL RECENTLY TOLD AN EMBASSY OFFICER ON FEB 15 THAT LEBANON MIGHT NOT BE ABLE TO MEET THE BANK'S CRITERIA FOR LOANS.)

(3) THE ARAB STATES HAD BEEN "PERSUADED OF THE LEBANESE VIEW," BUT STILL HAD MADE NO DEFINITE COMMITMENTS. SAUDI ARABIA AND KUWAIT WERE KEY.

IF THEY GAVE AID, OTHER STATES WOULD FOLLOW.

C. RECONSTRUCTION STRATEGY.

(1) THE RECONSTRUCTION AND DEVELOPMENT BOARD
WOULD BE THE CENTRAL AGENCY FOR FORMULATING AND
IMPLEMENTING DEVELOPMENT STRATEGY. THE BOARD
WOULD RECEIVE "SOFT LOANS" FROM ABROAD AND IN TURN
MAKE LOANS AT FAVORABLE RATES TO PRIVATE BANKS IN
LEBANON TO ENABLE THEM TO FINANCE RECONSTRUCTION
IN THE PRIVATE SECTOR.

(2) THE BOARD WOULD APPROVE OR DISAPPROVE OF
THE BANKS' LOANS DEPENDING ON WHETHER THEY
CONFORMED TO ITS SOCIAL AND POLITICAL OBJECTIVES.
THUS, THE PRIVATE BANKS WOULD IN EFFECT BE THE
GOVERNMENT'S APPARATUS FOR ADMINISTERING
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 BEIRUT 00718 01 OF 02 171147Z

RECONSTRUCTION.

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 BEIRUT 00718 02 OF 02 171155Z
ACTION NEA-07

INFO OCT-01 SS-14 ISO-00 NSC-05 NSCE-00 PM-03 SP-02 EB-04
INR-05 CIAE-00 DODE-00 TRSE-00 IO-06 DHA-02 /049 W
-----171206Z 077090/11

R 171105Z FEB 77
FM AMEMBASSY BEIRUT
TO SECSTATE WASHDC 3090
INFO AMEMBASSY DAMASCUS
AMEMBASSY JIDDA
AMEMBASSY KUWAIT

C O N F I D E N T I A L SECTION 2 OF 2 BEIRUT 0718

LIMDIS

3. I EXPLAINED TO THE PRIME MINISTER IN GENERAL
TERMS THAT WE WERE PREPARED TO HELP BUT NEEDED

SPECIFICITY AND A SENSE THAT THERE WAS A RATIONAL OVERALL PLAN. I ALSO INDICATED WE WERE AUTHORIZED TO OPEN NEGOTIATIONS FOR A PL-480 TITLE I AGREEMENT. (WE ARE ASKING DAMASCUS IF AGATT SHACKFORD PITCHER WILL BE ABLE TO ATTEND. WE WILL NEED HIM IF WE ARE TO SPEAK INTELLIGENTLY ON SUBJECT.)

4. HOSS SAID HE WAS MOST APPRECIATIVE OF U.S. EFFORTS TO HELP. HE ALSO ASKED WHETHER THE UNITED STATES MIGHT BE ABLE TO (A) PROVIDE AN EXPERIENCED ECONOMIST WHO COULD SIT ON THE RECONSTRUCTION BOARD FOR YEAR OR PERHAPS TWO, AND (B) PROVIDE UNSPECIFIED NUMBER OF TECHNICIANS FOR SPECIFIC AREAS. HE MENTIONED TELECOMMUNICATIONS AS AN EXAMPLE, BUT IT NOT CLEAR THAT HE WAS REALLY ASKING FOR SOMEONE IN THAT FIELD. AM TOLD BY MY BRITISH COLLEAGUE THAT HE HAS ALSO MENTIONED TELECOMMUNICATIONS TO HIM.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BEIRUT 00718 02 OF 02 171155Z

5. COMMENT: THE MORE LEBANESE I TALK TO, THE MORE DIFFICULT I FIND THEIR SITUATION. THE GOVERNMENT LEADERS ARE SENSIBLE AND PRAGMATIC, BUT THEY ARE GOING TO NEED A GOOD DEAL OF MATERIAL ASSISTANCE AND MORAL SUPPORT IF THEY ARE GOING TO PUT THIS PLACE BACK TOGETHER AGAIN. THEY CANNOT DO IT ALONE. I WILL HAVE MORE TO SAY ON THE SUBJECT AND RECOMMENDATIONS TO MAKE WHEN I HAVE SEEN MORE OF THE COUNTRY AND TALKED TO MORE PEOPLE. IN THE MEANTIME I REQUEST ANSWERS TO THE QUESTIONS POSED BELOW:

6. ACTION REQUESTED: PLEASE ANSWER THE FOLLOWING:

(1) WHAT ARE THE CHANCES OF GETTING AN ECONOMIC OFFICER EXPERIENCED IN RECONSTRUCTION MATTERS WHO COULD BE ASSIGNED HERE AS OUR REPRESENTATIVE ON THE RECONSTRUCTION COUNCIL? IT IS THE ONLY WAY WE ARE EVER GOING TO GET A HANDLE ON THE PROBLEM.

(2) WHAT IS THE SITUATION WITH REGARD TO FURNISHING INDIVIDUAL TECHNICIANS ON DEMAND? WE WOULD NOT WANT TO RECONSTITUTE AN AID MISSION, BUT BELIEVE WE COULD GIVE SOME ADMINISTRATIVE SUPPORT AND GUARANTEE DIPLOMATIC PRIVILEGES TO THEM.

PARKER

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptoning: Z
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DIPLOMATIC DISCUSSIONS, PL 480 TITLE 1, MEETING PROCEEDINGS
Control Number: n/a
Copy: SINGLE
Sent Date: 17-Feb-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BEIRUT00718
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770056-1196
Format: TEL
From: BEIRUT
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770233/aaaabdjp.tel
Line Count: 221
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 9dd5a1c5-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 22-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3301254
Secure: OPEN
Status: NATIVE
Subject: CALL ON PRIME MINISTER AL-HOSS
TAGS: EAID, LE, US, (HUSS, SALIM AHMAD)
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/9dd5a1c5-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009